

Tory tensions grow over who

Sam Coates Deputy Political Editor

Michael Gove and Philip Hammond were at odds yesterday over whether taxes must rise to pay for growing spending demands amid signs that the autumn budget will be a crunch moment for Theresa May's government.

Mr Gove, the environment secretary, indicated that he did not want taxes to rise despite suggesting that he supported pay increases for public sector workers. When asked on the BBC whether taxes would have to go up even slightly he replied: "I don't see any reason why they need to."

The chancellor faces a lengthening list of demands for extra money after admitting last month that Britain was "weary" of austerity. Boris Johnson, the foreign secretary, is also indicating that he supports an end to the pay cap as long as it is done in "a responsible way without causing fiscal pressures", according to a government source.

Mr Hammond will be challenged to find more money for schools and hospitals and provide additional support for Scotland in recognition of the money handed to Northern Ireland under the deal with the Democratic Unionist Party. He has already faced overwhelming calls to end the pay cap.

Justine Greening, the education secretary, wants the prime minister to abandon plans to cut per-pupil funding, which would mean an additional bill of approximately £1.2 billion.

The chancellor's task will be especially difficult because he is reluctant to pay for spending through extra borrowing. At the same time, Conservative MPs are nervous of raising taxes and there is unlikely to be a majority in the Commons for further cuts.

Last week Mr Hammond made clear his aversion to higher borrowing. He said during the Queen's Speech debate on the economy: "When we already have an eye-watering amount of debt, higher borrowing makes our economy vulnerable to future shocks. With £1.7 trillion of national debt outstanding and an annual interest bill of £50 billion, even at the current low rates, we should be reducing debt."

"However, borrowing means something else, too. It means that we are asking the next generations — our children and our grandchildren — to consume less in their lifetimes to pay for our consumption today. That is simply not fair; it is the opposite of sustainable. We must continue the job of getting our public finances back in order, over a sensible period of time, so that we are living within our means."

Mr Gove suggested yesterday that the government could support lifting

the pay cap for NHS workers. He said it was the "collective view of government" to "respect the integrity" of independent pay review bodies, one of which warned in March that the 1 per cent cap was putting "stress" on the health service. The pay bodies follow the guidelines given by government.

Mr Gove said: "These pay review bodies have been set up in order to ensure that we can have authoritative advice on what's required in order to ensure that the public services on which we rely are effectively staffed and the people within them are effectively supported. I think we should respect the integrity of that process."

He appeared to confirm and endorse the push for more money for schools, however. "I think [Ms Greening] is right to review how we spend money in education," he told the BBC. "We have had the overall schools budget protected, but of course as the population has grown that has meant that the amount per capita has come under strain. Justice is reviewing that."

There were further signs of Conservatives in the Commons preparing to pressure Mrs May into spending more. Johnny Mercer, the Plymouth, Moor View MP, said that up to 40 colleagues were in favour of lifting the public sector pay cap and "most" of them would be prepared to "flex their muscles" in the debate on the budget. If seven Tories switched and voted with the opposition over pay, the budget would be defeated.

Such an outcome could bring down the government but Mr Mercer vehemently denied that this was the aim of the rebels. He told *The Mail on Sunday*: "I don't think anyone is in the mood to bring down the government, but we have to work together on this. The chancellor is listening and the prime minister is listening."

Sarah Wollaston, chairwoman of the health select committee, Liz Kendall, the former Labour leadership contender, and Norman Lamb, the Liberal Democrat former health minister, joined forces in an effort to increase health spending.

They said in a joint statement that Mrs May's manifesto pledge on social care, the so-called dementia tax, was a "flawed proposal that delivered a hammer blow to her popularity".

It comes as an international trade minister suggested that Britain may not be able to strike trade deals until years after leaving the European Union. Greg Hands said it remained to be seen whether the UK could make agreements with countries such as the US immediately after Brexit, despite this being a key part of Mrs May's strategy.

Matching Mays are on time for church

Is Theresa May letting the world know that she thinks her time in No 10 is ticking away? The prime minister and her husband, Philip, left church in her Maidenhead constituency yesterday sporting colourful "his and hers" watches.

Both watches sat over their sleeves, suggesting that they either wanted them to be seen by the photographers or they were bored in church and checking the time.

Their traditional choice of timepiece was in contrast to Nicola Sturgeon, the SNP leader, who was accused of receiving help on her Apple Watch during a TV debate last year. President Trump, meanwhile, favours his own brand: a chunky gold number that is now out of production.



BEN CANTHRA/PA

University tuition fees will remain, Downing St insists ...as professor

Sam Coates Deputy Political Editor

A U-turn over tuition fees was ruled out by Downing Street yesterday, despite admitting that the argument for increasing them is being lost.

Damian Green, the first secretary of state and minister for the Cabinet Office, said over the weekend that Britain should have a "national debate" about university tuition fees.

However, No 10 and sources close to Mr Green denied there was any plan to rethink the policy.

An aide to Mr Green said: "He wasn't hinting at a U-turn at all. He was acknowledging that the youth support Corbyn attracted at the general election off the back of his fees pledge had started a national debate. But that debate has to recognise it's either fees or

higher taxes and Corbyn wasn't being upfront on that decision."

Shortly before the general election, the government agreed legislation to allow for elite universities that meet higher standards to raise their tuition fees above the £9,000 maximum to £9,250.

Jo Johnson, the universities minister, staunchly defended tuition fees. He wrote on Twitter: "Abolishing tuition fees and funding universities out of general taxation would be regressive, benefiting richest graduates, as IFS has repeatedly said."

Michael Gove, the environment secretary, said that he agreed with Mr Green, Mrs May's most senior minister, that Britain should have a national debate on the issue.

He insisted that this was not a plan to

scrap fees, despite Labour hovering up support of young voters with its policy.

"I think we should have a conversation about it, but it's important again to look at Damian's remarks and what he actually said," Mr Gove told the BBC's *The Andrew Marr Show*.

"Damian wasn't talking about getting rid of it. What Damian was saying, what I believe, is that if we have to fund higher education, and if people who get university degrees go on to earn well, which is good, they should pay something back and that's what the current system does."

"It's wrong if people who don't go to university find that they have to pay more in taxation to support those who do."

"I believe fundamentally that the purpose of government policy is to

support everyone equally and if you don't benefit from a university education, you shouldn't have to pay additionally to support those who do."

Sir Vince Cable, favourite to be the next leader of the Liberal Democrats, said that the fees issue should be looked at, but he warned that Labour's proposals to scrap fees was a "ridiculously populist programme" that would not stand up to scrutiny.

Any extra funding for education should go to schools, Sir Vince said, adding that universities were the only part of the publicly funded education system that was flourishing.

"For goodness sake, some cheap populist gesture killing that off would be a very dangerous and stupid thing to do," he said.

Professor Green proposes an all-age

Nicola Woolcock

Education Correspondent

Graduates of all ages should pay extra tax to fund present students' university tuition fees, an education expert says.

Tuition fees and loans should be scrapped, with maintenance grants and free degree courses restored, according to Andy Green, an academic from UCL Institute of Education.

In a new book Professor Green says that the present loan system is out of control, with students taking on debts of £50,000. Many will never earn enough to repay them in full.

This would land taxpayers with an estimated 43 per cent of the loan bill, and more if fees were allowed to rise continuously, he said.

Professor Green proposes an all-age

calls for tax on all graduates

graduate tax plan, under which both past and future graduates would pay an additional 2.5 per cent in income tax when they earn more than £21,000. It would mean repayments being cut by about 60 per cent.

The proposal was described as a middle way between today's regime of fees and loans and Labour's general election promise to fund higher education entirely through general taxation.

Professor Green said that today's system was unfair and increasingly costly. In his new book, *The Crisis for Young People: Generational Inequalities in Education, Work, Housing and Welfare*, he says that there is a growing "crisis of intergenerational inequality".

He says that the loan system is "morally indefensible because it is encourag-

ing a whole generation of young people to acquire huge debts which they will be paying off through much of their adult lives while paying historically high proportions of their incomes on rent or mortgages".

He estimates that his plan would generate an annual tax revenue of about £3.8 billion. With the total costs of first degree higher education including restored maintenance grants estimated at about £11.8 billion, this would require an annual taxpayer subsidy of some £8 billion.

The graduate tax would represent immediate additional revenue for the government, which is paying the full cost of tuition fees by funding the loans issued by the Student Loans Company which will not be repaid for many years.

Plan is 'death knell' for Irish fishing

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warned the industry that strong rhetoric about exiting the deal could emerge. Mr Creed did not provide a figure on the losses that Irish fishermen would suffer but acknowledged the industry would be hard-hit.

"There is no doubt the sector would be adversely affected; 60 per cent of our most valuable stock is caught in UK territorial waters. We are preparing for this in terms of building alliances with other EU states and feeding our analysis on this to Michel Barnier and his negotiating team," he said.

"This announcement will have no immediate effect as the withdrawal process from the convention will take two years and will form part of the Brexit negotiations."

Thomas Pringle, a member of the

Dáil's agriculture and fisheries committee, urged the government to draft a contingency plan.

"This is not something that is happening for another two years but if it kicked in tomorrow morning it would



Michael Creed said Irish fishermen would be hard hit

borne was quickly dropped by Mrs May when she took over from Mr Cameron last year.

A Tory source close to Mr Cameron said: "There is simply bafflement. Of course David was polite and grown up and delighted to help. But doesn't Theresa realise what this looks like. She trashed him in the campaign, has barely spoken to him since becoming prime minister and now has to go cap in hand for his support. It's shameless."

Meanwhile it emerged that Mrs May flew Mrs Foster back to Belfast in an RAF plane after the Downing Street talks.

Whitehall did not allow the cost of Mrs Foster's flight to be paid for

contingency plan to ensure that in the eventuality of a hard Brexit the industry is not adversely affected."

Sean O'Donoghue, chief executive of the Killybegs Fishermen's Organisation, a large fish producers' group based on the west coast, called the move an aggressive measure by the British. "We are not surprised, we did expect it," he said. "The access for us is huge but the access between six and twelve is not our greatest priority, the access between the 12-mile limit and 200 UK-wide limit is the important one."

Britain signed the convention before it joined the EU and would be bound by its terms after leaving the bloc unless it starts to withdraw from the treaty now.

Other countries affected include France, Belgium, Germany and the Netherlands.